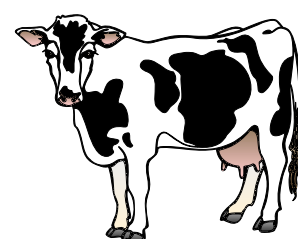


The Milk Market News



April 17, 2009

Price Outlook - The Southeast Uniform milk price for March was \$12.47, down 75 cents from February, and \$6.32 lower than March 2008. March's Class III price was \$10.44, up \$1.47 from February, and \$7.56 lower than March a year ago. The Class IV price was up 19 cents from February to \$9.64, and \$4.53 under March 2008. Class I utilization was 60.71%, down over 7% from February. The butterfat price was \$1.1495, up about 3.5 cents from last month. The March Class I price was \$13.23. The April Class I price is \$14.16, up 89 cents from March and \$7.55 lower than April 2008. USDA reported the 23-state milk production down 0.2% in March from March 2008. February production was revised to down 2.7%, from down 2.5% in the preliminary estimate. First quarter production was down 0.6% from a year ago. Futures prices had shown some improvement until March 30. Prices have dropped most trading sessions since that day. May futures settled to a new low yesterday at \$10.27. USDA's latest price forecast puts the Class III average for 2009 at \$10.65 to \$11.15. USDA is also predicting milk production to be down 0.9% in 2009 when compared to 2008. Taking three months of actual Class III prices and today's futures for the rest of the year, the year's average Class III would be \$12.41. Class III futures prices on April 17: April \$10.76, down 46 cents from a month ago; May \$10.31, down \$1.28; June \$11.44, down 89 cents; July \$12.56, down 89 cents; August \$13.85, down 58 cents; September \$14.54, down 37 cents; October \$14.94, down 31 cents; November \$14.96, down 49 cents; December \$15.02, down 43 cents; January 2010 \$15.11, down 38 cents; and February \$15.09, down 21 cents. February dairy product production comparisons have been adjusted for last year's leap day. Total cheese production was up 1.4% from February a year ago. Cheddar was down 0.9% and Mozzarella was down 3.4%. Butter production was up 2.6% from a year ago while NDM/SMP production was down 0.8%. The CCC has purchased 210.4 million pounds of powder since October. February export value was down 57% from February 2008 and the lowest in more than two years. NDM/SMP exports in February were down 66% from February a year ago. Cheese exports were down 22%, butterfat down 73%, and dry whey up 15% from a year ago. Imports of milk protein concentrate in February were 33.8 million pounds, up 33.7% from a year ago. Retail milk prices fell in March to the lowest level in two years. Retail cheese prices have dropped seven straight months, but are still above year ago levels. Twenty-five percent of U. S. Cheese production is used on pizza. One additional ounce of cheese per pizza would use 250 million additional pounds of cheese. February cow slaughter was 243,500 head, up 17.7% from a year ago.

MILC - FSA has announced the MILC payment for February at \$1.5135. The feed cost adjustment was calculated on the revised February feed prices reported in the March Agricultural Prices report instead of the preliminary prices in the February report. Preliminary March prices released on March 30 were \$3.96 per bushel for corn, \$9.13 per bushel for soybeans, and \$137.00 per ton for alfalfa hay. The base milk price for April has been announced at \$10.36. The MILC payment for April will be a minimum of \$1.49.

Southeast Federal Order Prices						
Month	Uniform Price	Class I Price	Class III Price	Class IV Price	Percent Class I	Butterfat (Pound)
Oct 08	18.95	19.33	17.06	13.62	73.62	1.8230
Nov 08	19.21	21.13	15.51	12.25	67.96	1.8125
Dec 08	16.85	19.23	15.28	10.35	66.68	1.5024
Jan 09	16.62	19.54	10.78	9.59	68.14	1.2288
Feb 09	13.22	14.52	9.31	9.45	67.93	1.1155
Mar 09	12.47	13.23	10.44	9.64	60.71	1.1495

What Is The Market Offering For Milk To Be Sold in July?

Example: It's Apr. 17 and July Class III Milk Futures are trading at \$12.56. Local July basis estimate is +\$2.00.

Then in July: If July Futures	=	\$14.00	\$12.50	\$11.00
and actual blend price	=	16.00	14.50	13.00
Sample Strategies (Executed 4/17)		Realized Prices for July Milk		
1) Sold Futures	@	12.56	\$14.56	\$14.56
2) Bought Put	\$11.50 @	0.24	15.76	14.26
3) Bought Put	\$12.00 @	0.40	15.60	14.10
4) Bought Put	\$12.50 @	0.63	15.37	13.87
5) Synthetic Put:				
Sold Futures	@	12.56		
Bought Call	\$13.75 @	0.27	14.54	14.29

What Is The Market Offering For Milk To Be Sold in August?

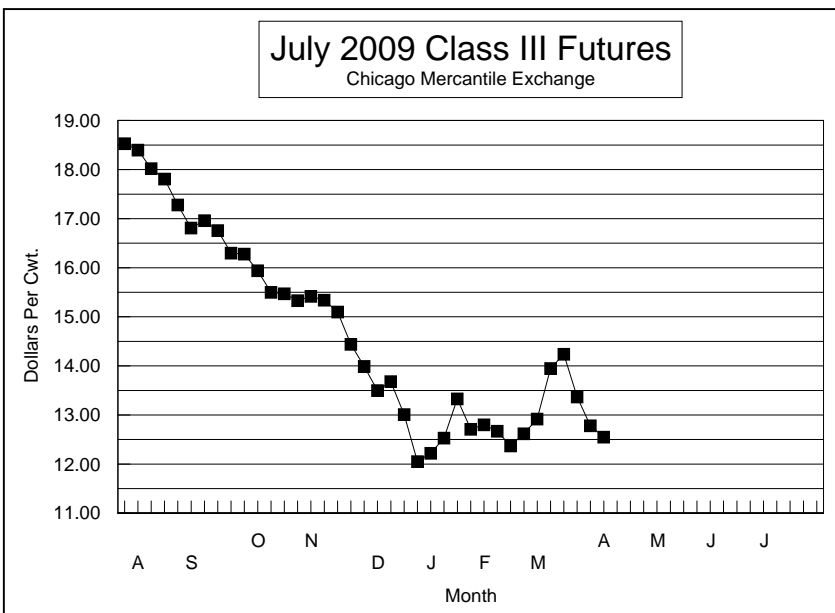
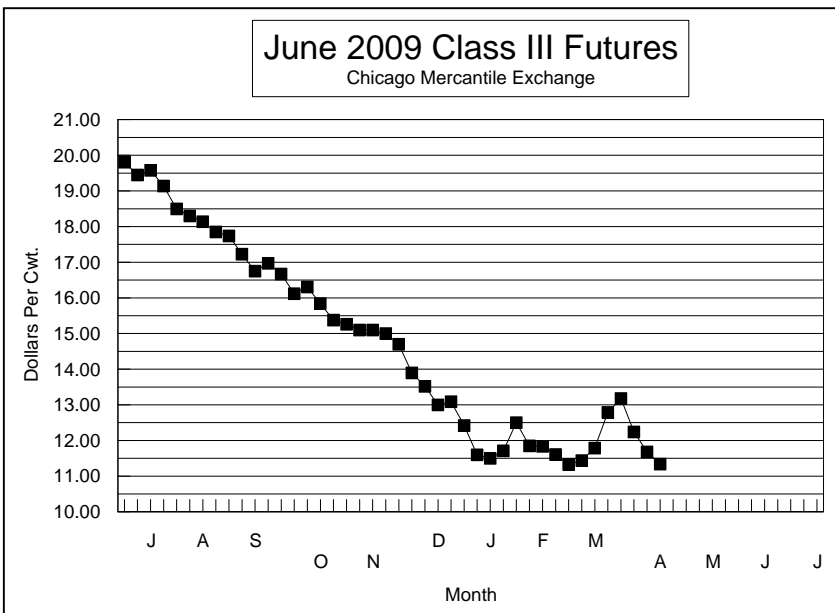
Example: It's Apr. 17 and Aug. Class III Milk Futures are trading at \$13.85. Local Aug. basis estimate is +\$2.00.

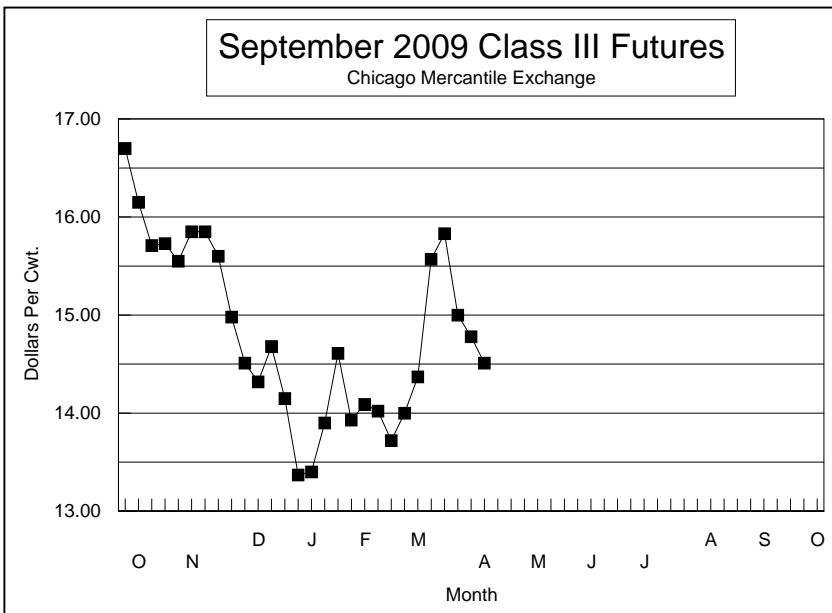
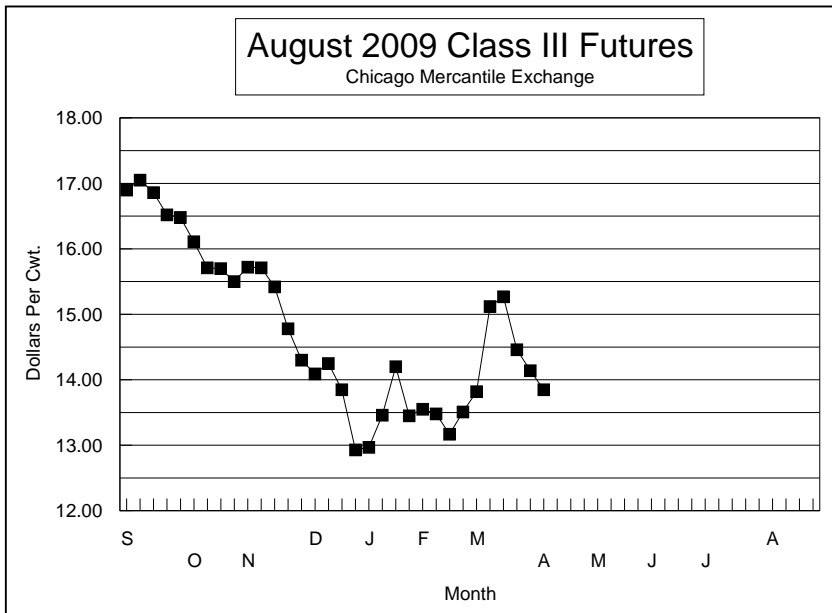
Then in August: If August Futures	=	\$15.25	\$13.75	\$12.25
and actual blend price	=	17.25	15.75	14.25
Sample Strategies (Executed 4/17)		Realized Prices for August Milk		
1) Sold Futures	@	13.85	\$15.85	\$15.85
2) Bought Put	\$12.75 @	0.37	16.88	15.38
3) Bought Put	\$13.25 @	0.55	16.70	15.20
4) Bought Put	\$13.75 @	0.78	16.47	14.97
5) Synthetic Put:				
Sold Futures	@	13.85		
Bought Call	\$15.00 @	0.41	15.69	15.44

What Is The Market Offering For Milk To Be Sold in September?

Example: It's Apr. 17 and Sept. Class III Milk Futures are trading at \$14.54. Local Sept. basis estimate is +\$2.00.

Then in September: If September Futures	=	\$16.00	\$14.50	\$13.00
and actual blend price	=	18.00	16.50	15.00
Sample Strategies (Executed 4/17)		Realized Prices for September Milk		
1) Sold Futures	@	14.54	\$16.54	\$16.54
2) Bought Put	\$13.50 @	0.50	17.50	16.00
3) Bought Put	\$14.00 @	0.70	17.30	15.80
4) Bought Put	\$14.50 @	0.94	17.06	15.56
5) Synthetic Put:				
Sold Futures	@	14.54		
Bought Call	\$15.75 @	0.51	16.28	16.03





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